

Message Text

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43

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TAGS:

SUBJ: NEW SPANISH ECONOMIC PROGRAM

1. SUMMARY: GOS ANNOUNCED OCT. 25 INTENTION TO IMPELMENT BROAD SCALE ECONOMIC PROGRAM FOR 1975 DESIGNED TO HOLD UNEMPLOYMENT TO 2 PERCENT, REDUCE INFLATION BY UP TO 4 PER CENT, RECTIFY PRESENT IMBALANCE IN FOREIGN ACCOUNTS, AND PRODUCE GNP GROWTH OF 4.5 PERCENT IN REAL TERMS. EXACT DETAILS OF MOST OF PROGRAM ARE STILL TO BE ANNOUNCED. SPECIFICS MENTIONED SO FAR INCLUDE REDUCTION OF FUEL OIL FOR DOMESTIC AND INDUSTRIAL PURPOSES (BUT NOT, SIGNIFICANTLY, OF MOTOR GASOLINE), REINSTATEMENT OF 5 PER CENT TARIFF REDUCTION IMPLEMENTED IN JANUARY, AND IMPOSITION OF GLOBAL QUOTAS ON CERTAIN UNNAMED PRODUCTS, IMPORTATION OF WHICH HAD BEEN PREVIOUSLY LIBERALIZED. BASED ON WHAT HAS BEEN RELEASED SO FAR, PROGRAM IS QUITE GENERAL IN NATURE AND CALLS FOR NO MAJOR ADJUSTMENTS OR RESTRICTIONS. WITHIN FRAMEWORK IT ESTABLISHES, THERE IS SOME POSSIBILITY FOR SIGNIFICANT MEASURES, BUT THESE APPEAR UNLIKELY. AT PRESENT PROGRAM SEEMS TO BE MORE ONE OF WINDOW DRESSING THAN OF SUBSTANCE. END SUMMARY.

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2. MINISTER OF FINANCE BARRERA DE IRIMO ANNOUNCED OCTOBER 25 THAT COUNCIL OF MINISTERS HAD APPROVED A BROAD ECONOMIC PROGRAM DESIGNED PRINCIPALLY TO LIMIT UNEMPLOYMENT TO 2 PERCENT, REDUCE RATE OF INFLATION BY UP TO 4 PERCENT AND ENSURE A GROWTH RATE OF 4.5 PERCENT IN 1975. CITING "IMPORTANT DIFFICULTIES ON THE HORIZON," BARRERA OUTLINED IN GENERAL TERMS A PROGRAM CALLING FOR, AMONG OTHER THINGS, REDUCED IMPORTS AND CONSUMPTION (PARTICULARLY OF PETROLEUM), INCREASED GOVERNMENT AND PRIVATE INVESTMENT, NEW AGRICULTURAL ASSISTANCE, GOVERNMENT CONTROL OF PRICE MARGINS, INCREASED EXPORT FINANCING, A PROGRAM OF IMPORT SUBSTITUTION FOR INDUSTRIAL PRODUCTS, AND THE REIMPOSITION OF CERTAIN GLOBAL IMPORT QUOTAS AND OF A 5 PERCENT TARIFF REDUCTION IMPELEMNTED IN JANUARY.

3. ASIDE FROM PETROLEUM PROGRAM, FEW DETAILS HAVE BEEN ANNOUNCED. PLAN LIMITS USE OF FUEL OIL FOR HEATING HOMES AND OFFICES TO 80 PERCENT OF PREVIOUS YEAR'S CONSUMPTION AND FOR INDUSTRIAL PURPOSES TO 90 PERCENT OF PREVIOUS YEAR WITH HIGHER PRICE FOR CONSUMPTION OVER 90 PERCENT LEVEL. PUBLIC BUILDINGS ARE TO BE KEPT AT 20 DEGREES CENTRIGRADE, TELE-VISION TRANSMISSION TO END AT 1130 P.M. (WHICH IS LITTLE CHANGE), MOST PUBLIC LIGHTING TO BE TURNED OFF AT 1130 P.M., AND CERTAIN MARGINAL AIRLINE FLIGHTS WILL BE DISCONTINUED.

4. EMBASSY COMMENT: WHAT HAS BEEN RELEASED TO DATE IS A VERY GENERAL PROGRAM WHICH SO FAR IMPLIES LITTLE IN THE WAY OF SEVERE BELT-TIGHETENING. THE ANNOUNCEMENT OF SUCH A PROGRAM IS SIGNIFICANT IN SHOWING GOS RECOGNITION THAT DESPITE THE RATHER GOOD SHOWING OF FOREIGN RESERVES IN 1974, THE COUNTRY HAS SOME SERIOUS ECONOMIC DIFFICULTIES WHICH WILL PROBABLY WORSEN IN 1975. HOWEVER, POLITICAL CONSIDERATIONS HERE- AS ELSEWHERE NECESSARILY LIMIT WHAT STEPS CAN BE IMPLEMENTED. FUEL FOR AUTOMOBILES WILL CONTINUE UNRATONED AND PERHAPS MOST IMPORTANTLY THE MINISTER ANNOUNCED THAT THERE WERE NO PLANS TO CONTROL WAGE INCREASES. THIS, TOGETHER WITH GENERAL PROVISIONS OF PROGRAM, MAKE MUCH OF IT CONTRADICTORY, PARTICULARLY INSOFAR AS GOS HOPES TO REDUCE INFLATION.

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5. MAJOR THRUST OF PROGRAM APPEARS AIMED AT ENSURING NEAR FULL EMPLOYMENT THROUGH INCREASED INVESTMENT AND AT REDUCING TRADE DEFICIT THROUGH MILDLY RESTRICTIVE MEASURES ON IMPORT SIDE. LIP SERVICE IS PAID TO SUPPLY AND EXPORT SIDE. DETAILS AND IMPEMENTATION OF PROGRAM REMAIN TO BE SEEN BUT CLEARLY GOS WILL FIND IT DIFFICULT TO ENFORCE THOSE MEASURES (ON FUEL OIL) SO FAR SPELLED OUT. ACCORDING TO PRESS IMPLEMENTATION OF PROGRAM WILL COMMENCE AS SOON AS DETAILS

ARE WORKED OUT.
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